

1 VIRGINIA:

2 IN THE COUNTY OF WASHINGTON

3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

4 VIRGINIA GAS AND OIL BOARD

5
6
7
8
9 JANUARY 16, 2001

10
11
12 APPEARANCES:

13 DENNIS GARBIS, PUBLIC MEMBER

14 MASON BRENT, REPRESENTATIVE OF THE GAS & OIL INDUSTRY

15 BENNY WAMPLER, CHAIRMAN

MAX LEWIS, PUBLIC MEMBER

CLYDE KING, PUBLIC MEMBER

16 SANDRA RIGGS, ASSISTANT ATTORNEY GENERAL

17 BOB WILSON, DIRECTOR OF THE DIVISION OF GAS & OIL AND

18 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

19

20

21

22

23

24

--

1			
2			
3		<u>INDEX</u>	
4	<u>AGENDA AND DOCKET NUMBERS:</u>	<u>UNIT</u>	<u>PAGE</u>
5	1) VGOB-00-11/21-0845	CNR-24068	4
6	2) VGOB-00-11/21-0846 (Withdrawn)	V-4336	
7	3) VGOB-00-11/21-0848 (Continued)	VC-4527	
8			
9	4) VGOB-95-04/18-0499-04	W-29	24
10			30
11	5) VGOB-95-04/18-0502-04	W-30	26
12			
13	6) VGOB-98-06/16-0670	VC-3169	20
14	7) VGOB-00-12/19-0851 (Continued)	YYY-21	
15			
16	8) VGOB-01-01/16-0852 (Combined Items 8-13)	AV-111	40
17			
18	9) VGOB-01-01/16-0853 (Combined Items 8-13)	AV-112	40
19	10) VGOB-01-01/16-0854 (Combined Items 8-13)	AV-113	40
20			
21	11) VGOB-01-01/16-0856 (Combined Items 8-13)	AW-112	40
22			
23	12) VGOB-01-01/16-0857	AW-113	40
24			
25			

1	(Combined Items 8-13)		
2	13) VGOB-01-01/16-0859	AX-114	40
3	(Combined Items 8-13)		
4	14) VGOB-01-01/16-0861	C-15	
5	(Continued)		
6	15) VGOB-01-01/16-0862	C-16	
7	(Continued)		
8	16) VGOB-01-01/16-0863	D-15	
9	(Continued)		
10	17) VGOB-01-01/16-0864	D-16	56
11	(Combined Items 17-20)		
12	18) VGOB-01-01/16-0866	E-15	56
13	(Combined Items 17-20)		
14	19) VGOB-01-01/16-0867	E-16	56
15	(Combined Items 17-20)		
16	20) VGOB-01-01/16-0868	E-17	56
17	(Combined Items 17-20)		

17
18 ****AGENDA ATTACHED

19
20
21
22
23
24

1 BENNY WAMPLER: We'll go ahead and get started.
2 Good morning. My name is Benny Wampler. I'm Deputy Director
3 for the Department of Mines, Minerals and Energy and Chairman
4 of the Gas and Oil Board; and I'll ask the Members to
5 introduce themselves.
6 MASON BRENT: My name is Mason Brent. I'm from
7 Richmond. I represent the Gas and Oil Industry.
8 MAX LEWIS: My name's Max Lewis. I'm from Buchanan
9 County. I represent...I'm a citizen member.
10 SANDRA RIGGS: I'm Sandra Riggs, with the Office of
11 the Attorney General, here to advise the Board.
12 CLYDE KING: I'm Clyde King, a public member from
13 Abingdon.
14 BOB WILSON: I'm Bob Wilson, the Director of the
15 Division of Gas and Oil and Principal Executive to the Staff
16 of the Board.
17 BENNY WAMPLER: The first item on the agenda today
18 is the Board will consider a petition from Columbia Natural
19 Resources, Incorporated for pooling of conventional gas unit
20 identified as CNR-24068. This is docket number VGOB-00-
21 11/21-0845, continued from December; and we'd ask the parties
22 that wish to address the Board in this matter to come
23 forward.

24

--

1 JIM KISER: Mr. Chairman and members of the Board,
2 Jim Kiser on behalf of Columbia Natural Resources. Our
3 witnesses in this matter will be Ms. Mary Ann Fox and Mr.
4 Jason Blakemore. I'd ask at this time that they be sworn.

5 MASON BRENT: Before we get started, Mr. Chairman,
6 if I may, I'd must to recuse myself from this docket item.

7 BENNY WAMPLER: Okay.

8 (Witnesses are duly sworn.)

9 BENNY WAMPLER: The record will show there are no
10 others. You may proceed.

11

12 MARY ANN FOX

13 having been duly sworn, was examined and testified as
14 follows:

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. KISER:

17 Q. Ms. Fox, if you'd state your name for the
18 Board, who you're employed by and in what capacity?

19 A. Mary Ann Fox. I work with Columbia Natural
20 Resources and I'm a land law paralegal.

21 Q. And do your responsibilities include the
22 land involved for this unit and the land in this surrounding
23 area?

24

--

1 A. Yes.

2 Q. And are you familiar with CNR's application
3 for the establishment of a drilling unit and the seeking of a
4 pooling order for CNR well number 24068, which was dated
5 October the 20th of 2000?

6 A. Yes.

7 JIM KISER: Now, since we filed that application in
8 October, the Board will note that before the hearing, I
9 passed out a new plat and mineral interest sheet which is
10 Exhibit A...a new Exhibit A to the application and a new
11 Exhibit B. If you'll compare the plat you received this
12 morning with the plat that was filed with the original
13 application, you'll see that the unit has been resurveyed and
14 what was originally just Tract 3 is now Tracts 3 and 4. So,
15 now there are eight tracts in the unit instead of seven.
16 There are no other changes except for all the interest slid
17 proportionally with the change in the survey and that's noted
18 on your new Exhibit B. Does anybody have any questions
19 regarding that?

20 BENNY WAMPLER: Any questions from members of the
21 Board?

22 (No audible response.)

23 Q. Ms. Fox, does CNR own drilling units here?

24

--

1 A. Yes.

2 (Dennis Garbis joins the hearing.)

3 Q. Now, prior to filing the application, were
4 efforts made to contact each of the respondents listed and an
5 attempt to make out...to work out a voluntary lease agreement
6 regarding the development of the unit?

7 A. Yes.

8 Q. Now, what was the interest under lease to
9 CNR at the time that we filed the application?

10 A. The time that we...in October?

11 Q. In October.

12 A. 91.26.

13 Q. And at that time we had...the unleased
14 interest was the 8.74%?

15 A. Yes.

16 Q. Now, since that time, we have picked up two
17 additional leases representing on a new plat exhibit what
18 would be Tracts 3 and 4?

19 A. Correct.

20 Q. Okay. So, now what is the percentage under
21 lease to CNR at the time of the hearing?

22 A. 99.32%.

23 Q. And the unleased percentage?

24

--

1 A. Yes, .68 (inaudible).
2 Q. Okay. And that just represents Tract 7
3 which is the only unleased tract, which is the Buchanan
4 County School Board?
5 A. That's correct.
6 Q. Okay. We do not have any unknown heirs in
7 this unit?
8 A. No.
9 Q. In your professional opinion, was due
10 diligence exercised to locate each of the respondents named
11 in Exhibit B?
12 A. Yes.
13 Q. And are the addresses set out in Exhibit B
14 to the application the last known addresses for the
15 respondents?
16 A. Yes.
17 Q. Are you requesting this Board to force pool
18 all the unleased interest listed in our revised Exhibit B?
19 A. Yes.
20 Q. Are you familiar with the fair market value
21 of drilling rights in the unit here and in the surrounding
22 area?
23 A. Yes.

24

--

1 Q. Could you advise the Board as to what those
2 are?

3 A. \$2 delay rental, five year term, 1/8
4 royalty.

5 Q. Did you gain you gain your familiarity by
6 acquiring oil and gas leases and other agreements involving
7 the transfer of drilling rights in the unit involved here and
8 in the surrounding area?

9 A. Yes.

10 Q. In your professional opinion, do the terms
11 you have testified to represent the fair market value of and
12 the fair and reasonable compensation to be paid for drilling
13 rights within this unit?

14 A. Yes.

15 Q. Now, as to the one party who has not
16 voluntarily agreed to lease, do you recommend that they be
17 allowed the following option with respect to their ownership
18 interest within the unit. One, participation; two, a cash
19 bonus of \$2 per net mineral acre plus a 1/8 of 8/8 royalty;
20 three, in lieu of a cash bonus and 1/8 of 8/8 royalty share
21 in the operation of the well on a carried basis as a carried
22 operator under the following conditions: Such carried
23 operator shall be entitled to his share production from the
24

1 tracts pooled accruing to his interest, exclusive of any
2 royalty or overriding royalty reserved in any leases,
3 assignments thereof or agreements relating thereto of such
4 tracts, but only after the proceeds applicable to his share
5 equal 300% of the share of the share of such costs applicable
6 to the interest of the carried operator of a lease tract or
7 portion thereof or 200% of the share of such costs applicable
8 to the interest of the carried operator of an unleased tract
9 or portion thereof?

10 A. Yes.

11 Q. Do you recommend that the Order provide that
12 any elections made by respondents be in writing and sent to
13 the applicant at Columbia Natural Resources, Inc., 900
14 Pennsylvania Avenue, P. O. Box 6070, Charleston, West
15 Virginia 25302, Attention: Mary Ann Fox, Regulatory.

16 A. Yes.

17 Q. And should this be the address for all
18 communications with the applicant concerning the force
19 pooling order?

20 A. Yes.

21 Q. Do you recommend that the order provide that
22 if no written election is properly made by a respondent, then
23 such respondent shall be deemed to have elected the cash

24

--

1 option in lieu of participation?

2 A. Yes.

3 Q. Should the unleased respondents be given
4 thirty days from the date that the order is executed to file
5 their written elections?

6 A. Yes.

7 Q. If an unleased respondent elects to
8 participate, should they be given forty-five days to pay the
9 applicant for respondent's proportionate share of well costs?

10 A. Yes.

11 Q. Does the applicant expect that party
12 electing to participate to pay in advance that party's share
13 of completed well costs?

14 A. Yes.

15 Q. Should the applicant be allowed a hundred
16 and twenty days following the recordation date of the Board
17 order and thereafter annually on that date until production
18 is achieved to pay or tender any cash bonus becoming due
19 under the order?

20 A. Yes.

21 Q. Do you recommend that the order provide that
22 if a respondent elects to participate or fails to pay their
23 proportionate share of well costs satisfactory to the

24

--

1 applicant for the payment of those costs, then their election
2 to participate should be treated as having been withdrawn and
3 void?

4 A. Yes.

5 Q. Do you recommend that the order provide that
6 where a respondent elects to participate but defaults in
7 regard to the payment of well costs, any cash sum becoming
8 payable to that respondent be paid within sixty days after
9 the last date on which such respondent could have paid or
10 made arrangements for the payment of those costs?

11 A. Yes.

12 Q. Okay, we do not have any unknown royalty
13 interest owners in this unit so there is no need for the
14 Board to establish a escrow account for this particular unit?

15 A. That's correct.

16 Q. And who should be named the operator under
17 any force pooling order?

18 A. Columbia Natural Resources, Inc.

19 JIM KISER: No further questions of this witness at
20 this time, Mr. Chairman.

21 BENNY WAMPLER: Any questions from members of the
22 Board of this witness?

23 (No audible response.)

24

--

1 BENNY WAMPLER: Call your next witness.

2 JIM KISER: Our second witness as to operation and
3 production questions is Mr. Jason Blakemore.

4

5

6 JASON BLAKEMORE

7 having been duly sworn, was examined and testified as
8 follows:

9 DIRECT EXAMINATION

10 QUESTIONS BY MR. KISER:

11 Q. Mr. Blakemore, if you'd state your name for
12 the Board, who you're employed by and in what capacity?

13 A. My name is Jason Blakemore. I am an
14 associate engineer for Columbia Natural Resources.

15 Q. And, Mr. Blakemore, this is your first time
16 testifying before the Virginia Gas and Oil Board. So, if you
17 would, could you please give them a brief summary of your
18 educational background and your employment history?

19 A. I've received a Bachelor of Science degree
20 in Petroleum and Natural Gas Engineering at West Virginia
21 University and I'm currently enrolled in the MBA Business
22 Foundation Program at Marshall Graduate College and I've
23 worked for Columbia Natural Resources for two and a half

24

--

1 years as an associate engineer in the engineering department,
2 which my duties include: Reserve analysis for annual drilling
3 programs, as far as...also including oil and property
4 evaluation.

5 JIM KISER: Mr. Chairman and members of the Board,
6 I'd ask that Mr. Blakemore be accepted as an expert witness
7 in the matters of operations and production.

8 BENNY WAMPLER: Without objection.

9 Q. Mr. Blakemore, do your responsibilities
10 include the land involved in this particular prospect known
11 as the Haysi prospect and the surrounding area?

12 A. Yes.

13 Q. And you're familiar with the plan of
14 development for the unit here?

15 A. Yes.

16 Q. And what is the total depth of the proposed
17 well under the plan of development?

18 A. 5,030 feet.

19 Q. And is the applicant requesting to force
20 pool any conventional gas reserves not only to include the
21 designated formations, but any other formations excluding
22 coal formations which may be between those formations
23 designated from the surface to the total depth drilled?

24

--

1 A. Yes.

2 Q. Now, the application was filed on October
3 the 20th of 2000 listed the estimated reserves of the unit as
4 405,000,000 cubic feet. Since that time, we re-evaluated the
5 reserve potential of the unit and I believe the estimated
6 reserves that we want to use at this point is 450,000,000, is
7 that correct?

8 A. That's correct.

9 Q. And are you familiar with the well costs for
10 the proposed well under the applicant's plan of development?

11 A. Yes.

12 Q. Has an AFE been reviewed and submitted to
13 the Board?

14 A. Yes.

15 Q. Was this AFE prepared by an engineering
16 department knowledgeable in the preparation of AFEs and
17 knowledgeable in regard to well costs in this area?

18 A. Yes.

19 Q. Does...in your professional opinion, does
20 this AFE represent a reasonable estimate of the well costs
21 for the proposed well under the plan of development?

22 A. Yes.

23 Q. At this time, could you state for the Board
24

1 both the dry hole costs and the completed well costs for
2 24068?

3 A. The dry hole costs are \$155,609 and the
4 completed well cost is \$271,477.

5 Q. The dry hole is \$155,689?

6 A. Correct.

7 Q. Okay. And the completed well costs
8 \$271,477?

9 A. Yes.

10 Q. Okay. And do these costs anticipate a
11 multiple completion?

12 A. Yes.

13 Q. Does your AFE include a reasonable charge
14 for supervision?

15 A. Yes.

16 Q. In your professional opinion, will the
17 granting of this application be in the best interest of
18 conservation and prevention of waste and the protection of
19 correlative rights?

20 A. Yes.

21 JIM KISER: Nothing further of this witness at this
22 time, Mr. Chairman.

23 BENNY WAMPLER: Your application said the estimated
24

1 TD was 4930. You said 5030. Is it 5030?

2 JASON BLAKEMORE: Typically, for the permit, the
3 field engineer adds the actual depth to penetrate the
4 formation more.

5 JIM KISER: The application says---?

6 BENNY WAMPLER: 4930.

7 JIM KISER: Hum, my says 5030.

8 MARY ANN FOX: So, does mine.

9 JIM KISER: Oh, well. 5030 is the correct depth.

10 JASON BLAKEMORE: Yes. That's what's noted for the
11 permit.

12 JIM KISER: Okay.

13 BENNY WAMPLER: Okay.

14 (Board members confer among themselves.)

15 SANDRA RIGGS: The AFE differs from the application.

16 JIM KISER: It's always a 100 feet off.

17 BENNY WAMPLER: Any other questions from members of
18 the Board? Mr. Garbis?

19 SANDRA RIGGS: Is there a permit for this well yet?

20 MARY ANN FOX: I think it's pending.

21 BOB WILSON: There is no permit.

22 BENNY WAMPLER: Mr. Garbis?

23 DENNIS GARBIS: Yes, I noticed that there was a
24
25

1 letter from Rapoca Energy Company basically saying the
2 correct name is Wellmore Coal Company, which I see that has
3 been corrected. However, has the acreage in question, is
4 that resolved? Are those---?

5 JIM KISER: Yeah. That was...the result of that
6 dispute is the revised Exhibit A---.

7 DENNIS GARBIS: Okay.

8 JIM KISER: --and Exhibit B that you've got before
9 you and plus we were able to lease that interest---.

10 DENNIS GARBIS: Okay.

11 JIM KISER: ---since the time that application was
12 filed.

13 CLYDE KING: I have a question, Mr. Chairman.

14 BENNY WAMPLER: Mr. King?

15 CLYDE KING: How far is this well from the
16 school...is there a school close by, Buchanan County School
17 Board?

18 JIM KISER: I have no idea. I have no idea.

19 MARY ANN FOX: I don't think so.

20 BENNY WAMPLER: Are you talking about the School
21 Board interest?

22 MARY ANN FOX: I think it's just the School Board.

23 CLYDE KING: Property that they own?
24
--

1 MARY ANN FOX: Yes.

2 CLYDE KING: That's that little number 7.

3 MARY ANN FOX: That little number 7.

4 JIM KISER: Yeah, the acreage...the size of that

5 tract, Mr. King, is---.

6 MARY ANN FOX: And we're not drilling on it.

7 JIM KISER: ---less than an acre. So, I assume

8 there wouldn't be a school there.

9 CLYDE KING: Huh. I wonder what---.

10 JIM KISER: It's probably just some small tract.

11 Maybe they've got an office there. I don't know what it is.

12 CLYDE KING: Max, do you know anything about it?

13 MAX LEWIS: I'd say it's probably just a vacant lot

14 from years ago.

15 JIM KISER: Yeah, it's less than an acre.

16 MAX LEWIS: There was a lot of those little country

17 schools they used to have there in the county and they've

18 done away with them, about every one of them.

19 JIM KISER: Yeah, there may have been something

20 there at one time.

21 MAX LEWIS: Yeah.

22 SANDRA RIGGS: The address for elections is the

23 one...I know you read it off, but it's the one shown right

24

1 here, 900 Pennsylvania Avenue, Attention: Mary Ann Fox,
2 Regulatory?

3 MARY ANN FOX: Yes.

4 BENNY WAMPLER: Any other questions?

5 (No audible response.)

6 BENNY WAMPLER: Do you have anything further?

7 JIM KISER: Mr. Chairman, we'd ask that the
8 application be approved as submitted.

9 CLYDE KING: I so move, Mr. Chairman.

10 BENNY WAMPLER: We have a motion to approve. Is
11 there a second?

12 DENNIS GARBIS: I second.

13 BENNY WAMPLER: The motion and second. Any further
14 discussions?

15 (No audible response.)

16 BENNY WAMPLER: All in favor, signify by saying yes.

17 (All members signify yes.)

18 BENNY WAMPLER: Opposed, say no.

19 (No audible response.)

20 BENNY WAMPLER: You have approval. Thank you.

21 The next item on the agenda is a petition from
22 Equitable Production Company for a well location exception
23 for conventional gas unit identified as V-4336. This is
24

1 docket number VGOB-00-11/21-0846, continued from December.
2 We'd ask the parties that wish to address the Board in this
3 matter to come forward.

4 JIM KISER: Mr. Chairman and members of the Board,
5 Jim Kiser on behalf of Equitable Production Company. We'd
6 ask at this time that that application be withdrawn from the
7 docket. We were able to...originally, we were seeking a
8 location exception because of coal considerations and since
9 the time that we filed the application, they have come back
10 and approved Equitable's original location, which is a legal
11 location. So, we no longer need the exception.

12 BENNY WAMPLER: Okay. That is withdrawn. The next
13 item on the agenda is a petition from Equitable Production
14 Company for pooling of a coalbed methane unit identified as
15 VC-4527; docket number VGOB-00-11/21-0848 continued from
16 December. We'd ask the parties that wish to address the
17 Board in this matter to come forward.

18 JIM KISER: Mr. Chairman and members of the Board,
19 Jim Kiser again on behalf Equitable. We'd ask the Board's
20 indulgence in this matter. We've got a situation on this
21 particular well where we do have an heir who is incompetent
22 and we're...we can't...we're having a hard time getting of
23 the other members of the family to agree to be a guardian.

24

--

1 So, we're going to have to go and probably get a local
2 attorney appointed guardian, and then I was informed Friday
3 of last week that this particular heir is in extremely bad
4 health and...so we'd like to continue it again until
5 February, at which time we'll have a resolution one way or
6 the other, I suppose.

7 BENNY WAMPLER: Okay, that's continued. And we're
8 going to skip to number six because that's the other one that
9 Mr. Kiser has. The Gas and Oil Board will reconvene docket
10 98-06/16-0670 concerning Equitable Production Company unit
11 VC-3169 for further consideration of applications filed by
12 certain claimants for the calculations and thereafter
13 disbursement to them of funds on deposit in drilling unit
14 escrow account and this was continued from December. We'd
15 ask the parties that wish to address the Board in this matter
16 to come forward.

17 JIM KISER: Mr. Chairman and members of the Board,
18 Jim Kiser on behalf of Equitable Production Company. We'd
19 continued this at the December hearing in that the escrow
20 agent had not at that time contacted the divisional or
21 analyst at Equitable in Charleston who handles these matters,
22 Ms. Melanie Freeman. I think, thanks in large part to Mr.
23 Wilson, they finally did contact her on, I think it was about
24

1 January the 8th, about a week ago. And we do have her
2 spreadsheet and a letter from her verifying that the
3 Equitable ledger and the escrow's account ledger do match up.
4 The only difference being the accrued interest and there is
5 also a additional check that she has noted on here that was
6 issued to the escrow agent on 12/22 that's not included in
7 either balance. So, the...Equitable's balance is
8 8...Equitable deposits total...for this unit total for the
9 conflicting claims in this unit total \$84,061.81 and that's
10 for 12/1/98 through 10/31, 2000. And the escrow agent's
11 records show, with accrued interest, \$86,041.76. So, roughly
12 a \$180 in interest. And then the additional check which
13 would cover November production is check number 434345 dated
14 12/22, 2000 in the amount of \$688.03.

15 SANDRA RIGGS: So, I need to take the \$84,061.81
16 plus \$688.03 plus accrued interest?

17 JIM KISER: Right.

18 SANDRA RIGGS: And those cover tracts---?

19 JIM KISER: It covers Tracts 1, 2, 5, 6 and 7. Do
20 you want me to give you this spreadsheet.

21 SANDRA RIGGS: Do you have...and you have the
22 breakdown?

23 JIM KISER: Yeah.

24

--

1 SANDRA RIGGS: Okay.

2 JIM KISER: I'll give you her letter, too, to me.

3 Now, this will be the breakout without the interest and

4 without the November production.

5 SANDRA RIGGS: Right.

6 JIM KISER: Okay.

7 (Board members confer among each other.)

8 SANDRA RIGGS: Bob, do you have the three part

9 letter for this...for this disbursement in your package?

10 JIM KISER: I've got one if you need one. I think,

11 this?

12 BOB WILSON: It's probably in the file that Mason

13 has.

14 JIM KISER: I've got a couple of them. Do you want

15 to---?

16 BOB WILSON: Yeah, right there in the front as a

17 matter of a fact.

18 (Mason Brent hands the file to Sandra Riggs.)

19 SANDRA RIGGS: So, we're disbursing on Tract 1?

20 JIM KISER: Right.

21 (Board members confer among each other.)

22 BENNY WAMPLER: Okay. The application is for Johnny

23 Smith and Loretta Smith for Tract 1 and you heard the amounts

24

1 read. Is there any questions?
2 (No audible response.)
3 BENNY WAMPLER: Do you have anything further?
4 JIM KISER: (Indicates in the negative.)
5 BENNY WAMPLER: Any questions from members of the
6 Board on that?
7 (No audible response.)
8 BENNY WAMPLER: Is there a motion to approve
9 disbursement?
10 MAX LEWIS: I make a motion we approve.
11 MASON BRENT: So, move.
12 BENNY WAMPLER: Motion. Second?
13 MASON BRENT: Second.
14 BENNY WAMPLER: Motion and second. Any further
15 discussion?
16 (No audible response.)
17 BENNY WAMPLER: All in favor, signify by saying yes.
18 (All members signify yes.)
19 BENNY WAMPLER: Opposed, say no.
20 (No audible response.)
21 BENNY WAMPLER: You have approval.
22 JIM KISER: And, Sandy, what I'll do is I'll get
23 Melanie to send you kind of a letter of introduction because
24

1 she'll be the one doing these things and I'm sure there will
2 be more of them. You know, that way she can get to know you.

3 BENNY WAMPLER: Okay. Thank you.

4 JIM KISER: Thank you.

5 BENNY WAMPLER: Have a safe trip.

6 JIM KISER: Yeah, you too.

7 BENNY WAMPLER: Defend me while you're there.

8 JIM KISER: Huh? Defend you while I'm there? You
9 don't need any defense, do you?

10 BENNY WAMPLER: I wouldn't bet on it. The next item
11 on the agenda is the reconvening of docket 95-04/18-0499-04
12 concerning Pocahontas Gas Partnership unit W-29 for further
13 consideration of applications filed by certain claimants for
14 the calculation thereafter disbursement of funds on deposit
15 in the drilling unit escrow account. We'd ask the parties
16 that wish to address the Board in this matter to come forward
17 at this time.

18 CLYDE KING: Number four?

19 BENNY WAMPLER: Yes, I'm sorry. I went back to
20 number four.

21 (Leslie Arrington distributes exhibits.)

22 MARK SWARTZ: Go for it, man.

23 LESLIE ARRINGTON: Okay. Les Arrington on behalf of
24
25

1 Pocahontas Gas Partnership. What I passed out to you is our
2 spreadsheets on unit W-29 and W-30 and you'll notice on the
3 bottom of both of them, it shows a couple of owners on the
4 bottom. You'll see one that says Hugh McCrae and Consol.
5 There has already been...that disbursement has been made and
6 we're here on---.

7 BENNY WAMPLER: Let me...let me just stop you.

8 LESLIE ARRINGTON: Okay.

9 BENNY WAMPLER: We probably need to swear you in if
10 you're going to testify as to the figures.

11 LESLIE ARRINGTON: Okay.

12 (Witness is duly sworn.)

13 BENNY WAMPLER: Carry on.

14 LESLIE ARRINGTON: Okay. I'm going to do W-30
15 first. You'll see that on the bottom of the spreadsheet I've
16 handed out, there's a column listed Coal Mountain and Garden
17 Realty. That disbursement has already taken place and we're
18 here to do a disbursement for Yukon and Coal Mountain, which
19 is listed as Tract 4, and our balance runs through November
20 the 30th. There was a check placed in the escrow account for
21 December and then one will go in for January, which will be
22 the...we don't have those two shown here.

23 MASON BRENT: Les, you said you're going to do W-30

24

--

1 first?

2 LESLIE ARRINGTON: Yes, W-30. Yes, sir. It's the
3 short sheet.

4 MASON BRENT: We haven't called that one yet.

5 BENNY WAMPLER: No. Docket number 95-04/18-0502.
6 We'd ask the parties that wish to address the Board in this
7 matter to come forward, also.

8 MARK SWARTZ: He did call it.

9 MASON BRENT: Now, it's called.

10 LESLIE K. ARRINGTON: Okay.

11 MARK SWARTZ: You can stay with us.

12 LESLIE ARRINGTON: Okay. Okay, sorry. Going back
13 through that again. We've already disbursed Tract 2 for Coal
14 Mountain and Garden Realty and we're here on behalf of Tract
15 4, Yukon and Coal Mountain. Again, we have placed a check in
16 there for December and shortly there will be a check placed
17 in the escrow account for January. So, this gets us through
18 11/30, 2000. Our balances do match what the bank has.

19 BENNY WAMPLER: What you're bringing to the Board
20 today is a request to disburse through November the 30th, is
21 what you have the numbers here---.

22 LESLIE ARRINGTON: Well, that's what's listed here.
23 Yes. Uh-huh.

24

1 BENNY WAMPLER: ---and you're identifying that you
2 have deposited checks for December and January.
3 MARK SWARTZ: Is that correct?
4 LESLIE ARRINGTON: Yes.
5 BENNY WAMPLER: Would you tell us that disbursement
6 amount?
7 LESLIE ARRINGTON: The disbursement amount through
8 November the 30th is \$47,881.69.
9 SANDRA RIGGS: Does that include interest?
10 LESLIE ARRINGTON: Yes, it does.
11 MARK SWARTZ: We also request that...this is Mark
12 Swartz. We also request that as of this month, that the
13 order provide that we could disburse directly to the people
14 who have the fee split agreement by Yukon, Pocahontas and
15 Coal Mountain so that we're only going to have to settle up
16 for December and January. Right?
17 LESLIE ARRINGTON: That's right.
18 CLYDE KING: So, you're saying that you're going to
19 disburse directly---?
20 MARK SWARTZ: From this day forward, yes, because
21 they have...and we might...I don't know how we've done in
22 this past, but the order might also provide so we don't have
23 to make a return trip for the two months, that if the bank
24

1 could simply notify us, you know, what the interest less cost
2 would be and we could compare that to what we put in because
3 we're only talking about two months and if it were
4 appropriate.

5 SANDRA RIGGS: I think once they have this, they can
6 sub-account.

7 MARK SWARTZ: Okay.

8 SANDRA RIGGS: Through November and then
9 automatically allocate---

10 MARK SWARTZ: Okay. Okay.

11 SANDRA RIGGS: ---the two new checks.

12 MARK SWARTZ: So we can get that out as well.

13 MASON BRENT: Mr. Chairman?

14 BENNY WAMPLER: Yes.

15 MASON BRENT: Shouldn't we, for the record, have
16 some sort of a statement from the bank saying that they do
17 indeed agree with these numbers.

18 BENNY WAMPLER: Do you have anything from them, Bob?

19 BOB WILSON: No, I do not have anything from them.
20 We...we get a...by contract, get a disbursement report from
21 them twice yearly that verifies the stuff. We have nothing
22 in place right now to verify this agreement. It has
23 generally been done between the operator and the bank, and
24

--

1 then the payout is filed as of the date of the check is
2 written, including interest and any checks that have come in
3 since the time of the Board order.

4 SANDRA RIGGS: I can handle that through the order
5 because I'll attach the spreadsheet and advise them if their
6 records purport to that shown on the spreadsheet, to
7 disburse; and if not, to notify the bank...I mean, notify the
8 Board.

9 BENNY WAMPLER: But that's a very good point.

10 MASON BRENT: It just seems to me...I mean, we have
11 the operator saying, you know, and the bank agrees with this,
12 I just kind of think for good housekeeping and for the record
13 here, some affirmative statement from the bank saying indeed
14 we do agree with that. That is the right number.

15 BENNY WAMPLER: I agree.

16 DENNIS GARBIS: Yeah, that's a good point.

17 MARK SWARTZ: I will tell you that the...I agree
18 with what you're suggesting, but I would state, just that so
19 there's no confusion, that the bank balances reported in that
20 column bank balance, those numbers actually have come from
21 the bank. But we don't have anything official that we could,
22 you know, give you. I mean, we've got spreadsheets that
23 we've taken from their representations. But...so, I guess,

24

--

1 probably you just need to get something from them saying we
2 agree that this last...you know, this last entry reflected
3 our balance as of a date. I mean, we don't have that. I
4 mean, other than orally.

5 MASON BRENT: And I'm not suggesting that we hold up
6 this disbursement. I'd suggest that we could do this subject
7 to getting a statement, but in the future, if we had some
8 sort of an affirmative statement from the bank saying that
9 they do indeed agree with this record here.

10 BENNY WAMPLER: All right. Bob can require that.

11 BOB WILSON: I'll see to it that that occurs in the
12 future. Thank you.

13 BENNY WAMPLER: Anything further on W-30?

14 LESLIE ARRINGTON: No.

15 BENNY WAMPLER: Is there a motion to disburse?

16 MAX LEWIS: I make a motion to disburse.

17 CLYDE KING: Second.

18 DENNIS GARBIS: Second.

19 BENNY WAMPLER: Motion to disburse Tract 4. Motion
20 is seconded. Any further discussion? All in favor---.

21 MASON BRENT: Only other further discussion I would
22 have is that that's subject to getting a statement from the
23 bank that they agree with these numbers.

24

--

1 BENNY WAMPLER: Okay. It shall be subject to that.
2 All in favor, signify by saying yes.
3 (All members signify yes.)
4 BENNY WAMPLER: Opposed, say no.
5 (No audible response.)
6 BENNY WAMPLER: You have approval. Okay, now, we're
7 going back to W-29?
8 LESLIE ARRINGTON: Yes. Uh-huh. Okay, likewise, on
9 Unit W-29 on our spreadsheet, the large sheet, you'll notice
10 several different columns listed that royalty splits have
11 already taken place and again we're here on behalf of Yukon/
12 Coal Mountain royalty split, Tract 15. And the present
13 balance that we show in there is \$444.18. And that too gets
14 us through November the 30th of 2000.
15 CLYDE KING: So, this will be the same as before,
16 Mark, that you'll directly do it, anything like your
17 December?
18 MARK SWARTZ: Right. We'd make the same request
19 that we made on the other, that the bank sub-account the
20 tract for November and December and just make that
21 disbursement when they've calculated the amount, and also
22 authorize us to pay future months directly to the folks that
23 have the split agreement. So, basically it's a three part
24

1 order.

2 BENNY WAMPLER: You meant for December and January,

3 I think.

4 MARK SWARTZ: I'm sorry. December and January.

5 Right. Because we're through November 30th.

6 BENNY WAMPLER: Any questions from members of the

7 Board? It will be the same stipulation with this that Mr.

8 Brent brought up. I think we all concur that Ms. Riggs will

9 have the bank verify...that the money matches. Do you have

10 anything further on Tract 15?

11 MARK SWARTZ: Yeah...well, you might take a look at

12 the yellow column.

13 LESLIE ARRINGTON: Theirs is not colored. So,

14 you'll have to list it.

15 BENNY WAMPLER: We don't have the yellow.

16 MARK SWARTZ: Okay. You might look at the Stanley

17 W-29. If you look under Tract 5, there's a net change in the

18 tract balance. Do you see that?

19 BENNY WAMPLER: Yes.

20 MARK SWARTZ: Okay. This was previously disbursed

21 and it did not zero the account out, as you can see here, and

22 we've got \$5...I guess, \$5.20 with regard to Tract 5.

23 (Leslie Arrington confers with Mark Swartz.)

24

1 MARK SWARTZ: And we've got the same problem if you
2 go all the way over to Tract 9. We've got \$76.19 because
3 that wasn't zeroed out either when it was disbursed. And as
4 long as we're here and then we have a disbursement also, I'm
5 sorry, the very right hand side, Tracts 1 and 2. We've got a
6 disbursement of \$20,787 back in roughly July of '99, I'm
7 thinking. And you can see that that did not zero that
8 account out either. As long as we're here, unless there's
9 some concern with notice, which I'm not aware of, but, you
10 know, if there's a concern, we can come back, but we'd like
11 to zero those out.

12 SANDRA RIGGS: I think that was covered under the
13 original disbursement order. The escrow agent was told to
14 disburse X amount plus interest occurring from the date of
15 the accounting through and that was when it was the old
16 escrow agent and what they did was disburse the amount, but
17 they didn't disburse the interest that accrued from the date
18 of accounting through the date of disbursement. So, they've
19 already been ordered to do that.

20 MARK SWARTZ: So, we can just bring this to their
21 attention?

22 SANDRA RIGGS: I think...I think we can send
23 them...send the new escrow agent a copy of that order and
24

1 bring it to their attention and advise them to disburse under
2 the old...under the original order.

3 MARK SWARTZ: But that you probably need to do,
4 right?

5 BENNY WAMPLER: We'll do...we'll do that.

6 SANDRA RIGGS: Yes, I'll do that.

7 MARK SWARTZ: Okay. But if...and then you've got
8 the same problem, I hate to jump back and forth here, but as
9 long as we're housekeeping, you'll see on W-30, if you're
10 going to send a letter, Sandra, look at Tract 2, there's
11 \$11.15 in there following a disbursement, you know, in
12 December of '99.

13 BOB WILSON: Mr. Chairman, may I ask a question,
14 please?

15 BENNY WAMPLER: Yes.

16 BOB WILSON: Are there other accounts that you're
17 aware of that are in...that have this same problem?

18 LESLIE ARRINGTON: My answer...I'm sure there are if
19 it's in these two. To be specific, you know, we'd have to go
20 back and rebalance the accounts, the ones that the
21 withdrawals have been made. But, you know, I...I can't
22 answer.

23 MARK SWARTZ: Well, the bank ought to be able to
24

1 tell if they're setting up sub-accounts on the previously
2 disbursed units like, I think, they're supposed to. So, when
3 we look at their annual, or bi-annual reports, the balances,
4 when we start getting sub-accounts, we may be able to tell
5 just from that.

6 SANDRA RIGGS: These were done by First Virginia,
7 right when the escrow agent was changing over.

8 MARK SWARTZ: Right. But wouldn't the new escrow
9 agent---?

10 SANDRA RIGGS: Hopefully, they got these
11 spreadsheets and got those set up. But I'm not sure because
12 the disbursements were made. Now, on many of those, we've
13 made a subsequent disbursement. I think they would have at
14 that time. But I...we can tell. We can pull those that
15 prior disbursements that have been made on. I've got a list
16 of them.

17 MARK SWARTZ: Because I guess where I'm coming from
18 is so that we actually make progress with our accounting. I
19 guess, I would assume, maybe rightly or wrongly, that the new
20 bank would take...would establish sub-accounts for the units
21 that we've been before you on disbursements because the map
22 is done as of a date and they would have been able to do
23 that, and I guess that's what we need to confirm, because if
24

1 that's happening, then they ought to be able to deal with
2 this pretty easily.

3 LESLIE ARRINGTON: Okay. Is it your understanding
4 that they should have had, for instance, these two units in
5 sub-accounts?

6 SANDRA RIGGS: I think these...I...the ones where
7 some interest was left in there which caused the accounts not
8 to zero balance out were disbursements made by First Virginia
9 prior to the change over in the escrow agent and we had
10 reminded them three or four different times that they needed
11 to go back and clean up those interest accounts and it didn't
12 happen before the transfer was over. Now, in the transfer
13 over to the new escrow agent, I don't know whether they were
14 given the spreadsheets for prior disbursements so that they
15 could break them out into sub-accounts or not. So, we're
16 talking about very few. Anything that has occurred since the
17 new escrow agent was appointed, they're doing that. So,
18 there's just a handful of these that occurred right there and
19 they were the ones that Jill Harrison represented and it
20 would be very easy to identify which units those are. I'll
21 go back and pull those spreadsheets.

22 MARK SWARTZ: I think we probably need to do that
23 because when you did the accounting work for all the tracts,

24

--

1 we probably need to make sure we share that with them.

2 SANDRA RIGGS: And the spreadsheets are attached to
3 the order themselves.

4 MARK SWARTZ: Right.

5 SANDRA RIGGS: So, they got...if they got copies of
6 all of the orders, they should have it there. They just need
7 to break it out.

8 LESLIE ARRINGTON: Okay.

9 MARK SWARTZ: Those are those Northeast Longwall and
10 South Longwall.

11 SANDRA RIGGS: They were the Hugh McCrae/Garden
12 Realty disbursements.

13 LESLIE ARRINGTON: Yes, ma'am.

14 MARK SWARTZ: Right.

15 MARK SWARTZ: So, to recap what we're asking for on
16 W-30, is...I'm sorry. On W-29, is to authorize before to
17 disburse the Yukon/Pocahontas/Coal Mountain Tract 15; to
18 authorize the Board in the process of doing the sub-account
19 accounting to disburse December and January pertaining to
20 Tract 15; to authorize the operator to pay with regard to
21 Tract 15 directly all future royalty payments after the one
22 that will be made this month, in January. Ms. Riggs will
23 write to the escrow agent to clean up some left over balances
24

1 on previously disbursed accounts, which would be Tracts 5, 9
2 and then Tracts 1 and 2 combined and I would imagine, you
3 know, we probably need the same caveat here that somebody
4 undertake to get the bank to confirm that the bank balance
5 that we're showing in the bank balance column is correct as
6 of November 30th of 2000. So, that's what we're asking for.

7 LESLIE ARRINGTON: And we do have the e-mail from
8 them showing their bank balance for those two units.

9 BENNY WAMPLER: Well, in keeping with what we've
10 been doing this time, we'll go ahead and have the bank
11 validate the balance. Excuse me just a second while I have a
12 discussion here.

13 (Board members confer among themselves.)

14 CLYDE KING: Are you saying this figure here is
15 correct?

16 SANDRA RIGGS: Uh-huh.

17 CLYDE KING: Here?

18 MARK SWARTZ: Well, we're in agreement.

19 (Board members continue to confer among
20 themselves.)

21 BENNY WAMPLER: Okay, any further discussion the
22 disbursement of Tract 15?

23 (No audible response.)

24

--

1 BENNY WAMPLER: Is there a motion to approve?

2 MAX LEWIS: I make a motion we approve.

3 BENNY WAMPLER: Second?

4 MASON BRENT: Second.

5 BENNY WAMPLER: All in favor, signify by saying yes.

6 (All members signify yes.)

7 BENNY WAMPLER: Opposed, say no.

8 (No audible response.)

9 BENNY WAMPLER: You have approval. Thank you.

10 MARK SWARTZ: If you'll---

11 LESLIE ARRINGTON: That's one of the toughest things

12 we do is this escrow stuff. That is---.

13 BENNY WAMPLER: Okay, going to number seven on the

14 agenda now. The next item on the agenda is a petition from

15 Buchanan Production Company for pooling of a coalbed methane

16 unit under Oakwood Coalbed Methane Gas Field I order

17 identified as YYY-21; docket number VGOB-00-12/19-0851,

18 continued from December; and we'd ask the parties that wish

19 to address the Board in this matter to come forward at this

20 time.

21 MARK SWARTZ: Mark Swartz and Les Arrington. Mr.

22 Chairman, we had intended to continue that to the February

23 docket and maybe we didn't communicate that to the Board. It

24

1 certainly was our intention. So, I would ask that we be
2 allowed to come back on that in February.

3 BENNY WAMPLER: It's continued. Do you have any
4 other housekeeping on the agenda?

5 MARK SWARTZ: Yes.

6 BENNY WAMPLER: We'll go ahead and take that---.

7 MARK SWARTZ: We need to...we need to continue
8 docket items...now this would be for...well, let me
9 start...dockets 14 through 19 are actually Buchanan
10 Production Company and not Pocahontas Gas, just so you know
11 that. So, 14 through 19, in your docket identified
12 Pocahontas Gas as the applicant and it's really Buchanan
13 Production. Now, with regard to 14, 15 and 16, which are
14 three Buchanan Production applications, we've got some notice
15 problems. We noticed some lessors instead of unleased
16 people. So, we need to redo that and we would like to come
17 back...the applications are correct, we just noticed them
18 wrong, and we'd like to come back on 14, 15 and 16 in
19 February. We just need a month---.

20 BENNY WAMPLER: Okay.

21 MARK SWARTZ: ---to get out the notice on that.
22 And the rest of the stuff, we're ready to go on. I would
23 suggest, and this is assuming that the motion to continue
24

1 YYY-21 is granted, but I would suggest...since we don't have
2 any folks here, and it might be confusing for the public, but
3 I don't think it would be confusing for you guys, I would
4 suggest that we consolidate Pocahontas Gas Partnership units
5 for hearing. We've got the usual spreadsheet which
6 summarizes the detail and then we'll go through them
7 individually as we need to. But...and then the four
8 remaining Buchanan Production units, I think we can
9 consolidate those as well. So, what I'm suggesting is that
10 we continue 7, 14, 15 and 16 and then combine the remaining
11 PGP applications, none of which are being continued, and the
12 Buchanan Production ones that aren't continued also be
13 combined. So, basically we'll have two hearings.

14 BENNY WAMPLER: Any objection to the continuance
15 request? That's continuing---.

16 CLYDE KING: That's 7, 14, 15 and 16?

17 MARK SWARTZ: Correct.

18 BENNY WAMPLER: Docket numbers...I already called
19 seven, the other docket numbers continuing items 14 is docket
20 number VGOB-01-01/16-0861; item 15 is VGOB-01-01/16-0862; and
21 then item 16 is docket number VGOB-01-01/16-0863. Now,
22 having done that, those are continued. Is there any
23 objection from the board to combine the PGP and the Buchanan
24

1 Production Company items?

2 (No audible response.)

3 BENNY WAMPLER: All right. Bear with me and I'll
4 call the units and the docket numbers. The Board's calling
5 for hearing a petition from Pocahontas Gas Partnership for
6 pooling of a coalbed methane unit identified as AV-111,
7 docket number VGOB-01-01/16-0852; unit AV-112, docket number
8 VGOB-01-01/16-0853; unit AV-113, docket number VGOB-01-01/16-
9 0854; AW-112, docket number VGOB-01-01/16-0856; and AW-113,
10 docket number VGOB-01-01/16-0857; and AX-114, docket number
11 VGOB-01-01/16-0859. We'd ask the parties that wish to
12 address the Board in these matters to come forward at this
13 time.

14 MARK SWARTZ: Mark Swartz and Les Arrington on
15 behalf of Pocahontas Gas Partnership.

16 (Leslie Arrington distributes exhibits.)

17

18 LESLIE ARRINGTON
19 having been duly sworn, was examined and testified as
20 follows:

21 DIRECT EXAMINATION

22 QUESTIONS BY MR. SWARTZ:

23 Q. Mr. Arrington, you need to state your name.

24

--

1 A. Leslie Arrington.

2 Q. And who are you employed by?

3 A. Consol Energy.

4 Q. Inc.?

5 A. Inc.

6 Q. Okay. You've previously been sworn?

7 A. Yes, I have.

8 Q. The...a few housekeeping things. The

9 Pocahontas Partnership applications which are...pooling

10 applications which are on the docket today that have been

11 combined, these are the first poolings that we have done in

12 the new field, correct?

13 A. That's correct.

14 Q. And when you noticed these, you guessed at

15 the field name and you guessed wrong, right?

16 A. That's correct.

17 Q. So, you guessed that the field was going to

18 be the Nora II?

19 A. That's correct.

20 Q. So, on all of the applications it's referred

21 to as the Nora II and it's turned out that it's the Middle

22 Ridge Coalbed Methane Field, correct?

23 A. That's correct.

24

--

1 Q. So, all of the units, Pocahontas Gas units,
2 we're going to be talking about are in the Middle Ridge Field
3 Rules in accordance with the sizing and shape of those units?
4 A. That's correct.
5 Q. Okay. Now, while we're on the topic of unit
6 sizes, we were in front of the Board with regard to that
7 little area where ERECs had gotten some provisional rules,
8 correct?
9 A. Uh-huh.
10 Q. We resized some units to make the Nora
11 Fields blend in with the adjoining Oakwood Field, correct?
12 A. Yes.
13 Q. And to make the Middle Ridge Field work as
14 well?
15 A. We did.
16 Q. Okay. And some of those units are smaller
17 in size than the typical unit?
18 A. That's correct.
19 Q. Why don't you go down the six units that
20 we're talking about today...and I'm not sure this is
21 essential, but if the Board wants to make a note here, it
22 probably would be easiest to just pick maybe the CBM leased
23 coal column and we've got, you know, the various percentages
24

1 there, but why don't you give the Board members the acreage,
2 the size of these units because some of them are in that sort
3 of adjustment row?

4 A. All right. The adjustment row was the
5 northern row that adjoins the Oakwood Field.

6 Q. It's the AV row?

7 A. AV row.

8 Q. Okay.

9 A. And you go generally...you should always
10 notice that the AV row is going to be somewhere in the
11 neighborhood of 50-51 acres and in this case, unit AV-111 is
12 50.9 acres; AV-112 is---.

13 Q. Slow down so Sandy can write this down.

14 A. Okay. AV-112 is 50.7; AV-113 was 50.6; AW-
15 112 58.7; AX-113 58.7; and AX-114 is 58.7.

16 Q. Now, on this spreadsheet that you've handed
17 out today, there's some revisions listed at the bottom?

18 A. There is. Yes.

19 Q. And have you, just staying with the
20 Pocahontas units, AV-113, Exhibit A page two was changed and
21 the change is noted there, correct?

22 A. That's correct. And we simply have...in the
23 unleased portion, we were showing that we had some coal as

24

--

1 unleased and, in fact, it was...all the coal section was
2 leased and it should have been 0.00 adverse.

3 Q. And then there was a change with regard to
4 Exhibits B-3 and E concerning AW-112, correct?

5 A. That's correct.

6 Q. And that apparently was to...well, it says
7 to reflect that Swain Perkins was leased with a known
8 address?

9 A. That's correct.

10 Q. Okay. And is it true that the packet of
11 exhibits that you passed out to the Board contains the
12 Revised Exhibits with regard to AV-113 and AW-112 that we've
13 just discussed?

14 A. That's correct.

15 Q. So, those can be, if necessary, attached to
16 any order that might be entered?

17 A. Yes.

18 Q. Okay. In preparing for today's hearings,
19 did we notice that we regard to two other...two units that we
20 needed to revise an exhibit?

21 A. Yes.

22 Q. And what do we need to do?

23 A. Exhibit A, page two needs to be revised in
24

1 unit AV-111 and AV-112.

2 Q. Okay. And we'll be tendering that to the
3 Board?

4 A. That's correct.

5 Q. Okay. Let's start with, you know, who the
6 applicant is and the operator issues, kind of go through that
7 and then we'll as necessary work through the individual
8 applications. Okay. So, the applicant here in all six of
9 these pooling applications is Pocahontas Gas Partnership, is
10 that correct?

11 A. That's correct. Yes.

12 Q. And Pocahontas Gas Partnership is a Virginia
13 General Partnership that has two partners and those partners
14 are Consolidation Coal Company and Conoco, Inc., is that
15 correct?

16 A. That's correct.

17 Q. Who is Pocahontas Gas Partnership requesting
18 be designated as the Board's operator?

19 A. Pocahontas Gas.

20 Q. Okay. Is Pocahontas Gas Partnership
21 authorized to do business in the Commonwealth, has it
22 registered with the Department of Mines, Minerals and Energy
23 and does it have a blanket bond on file?

24

--

1 A. Yes.

2 Q. With regard to the various units, have you
3 listed the names of the respondents, meaning the people that
4 you're seeking to pool in both the notice of hearing and
5 Exhibit B-3?

6 A. Yes, we have.

7 Q. Okay. Do you want to add any respondents to
8 any of these?

9 A. No.

10 Q. Do you want to dismiss any respondents to
11 any of these?

12 A. Only to the affect it would be in AW-112 and
13 Swain Perkins as being leased.

14 Q. Okay. So, to the extent he was shown as a
15 respondent to be pooled. We're dismissing him because we
16 have a lease?

17 A. Yes.

18 Q. Okay. And that's the only respondent that
19 you're seeking to---?

20 A. Yes.

21 Q. ---eliminate today?

22 A. Yes.

23 Q. Okay. With regard to notice, could you tell
24

1 the Board what you did in terms of notice, both mailing and
2 publication?

3 A. Yes. It was mailed by certified mail/return
4 receipt requested on December the 15th of 2000, and it was
5 also published in the Bluefield Daily Telegraph on December
6 the 21st...December the 21st of 2000 and this is the same for
7 all units.

8 Q. Okay. So, the dates are the same for
9 everybody?

10 A. Yes.

11 Q. Today, have you filed summaries, spreadsheet
12 summaries with regard to status of mailing and so forth with
13 regard to each of the units with the Board?

14 A. Yes, we have.

15 Q. Okay. Have you also filed a copy of
16 the...was it published in the Bluefield Daily Telegraph?

17 A. Yes, it was.

18 Q. Have you also filed copies of their
19 certifications with regard to publication?

20 A. We have.

21 Q. When you published, what was it that was
22 printed in the paper?

23 A. The notice that's attached to the
24

1 application.

2 Q. Okay. So, it would be the two pages of text
3 and the map, the one page map, which sort of shows where it
4 is in the state and then identifies the unit in relation to
5 the roads and streams?

6 A. That's correct.

7 Q. Okay. Okay, with regard to...although you
8 have various leased interest, or positions in each of these
9 units, it's obvious that you've leased a number of people.
10 Could you tell the Board what the terms that you have offered
11 to the folk or generally to the folks that you've been able
12 to lease?

13 A. Yes. We offer a \$1 per acre, per year for a
14 coalbed methane lease with a five year term.

15 Q. And what's the royalty?

16 A. 1/8. I'm sorry.

17 Q. And that rental is payable until production
18 commences and then royalty kicks in, correct?

19 A. That's correct.

20 Q. Would you recommend those lease terms to the
21 Board to incorporate into any order it might enter with
22 regard to these units concerning the status of people who
23 might be deemed to have been leased?

24

--

1 A. Yes, we would.

2 Q. Now, each of these units is a frac unit,
3 correct?

4 A. It is.

5 Q. And having gone through each of the
6 applications, it appears to me that each of the wells is
7 shown on the plats that are included?

8 A. That's correct.

9 Q. There's one well in every unit?

10 A. Correct.

11 Q. And none of the wells as proposed or
12 existing require a location exception?

13 A. That's correct.

14 Q. Okay. Is there an Exhibit C, a well
15 cost...an estimated well cost exhibit in each of the
16 applications?

17 A. Yes, there is.

18 Q. Okay. Now, with regard to royalty owners
19 who are pooled or have election options, if they wanted
20 to...if the royalty owner wanted to get some feel for what
21 his royalty interest in any given unit would be, would he go
22 to Exhibit B-3?

23 A. That's correct.

24

1 Q. Okay. And there's only percentage reported
2 here because we're dealing with a frac unit, correct?

3 A. That's correct.

4 Q. And so the percentage interest in unit would
5 be that individual royalty owners that's being pooled, his
6 individual percentage of interest in that unit then would be
7 applied or multiplied times the 12 ½% or 1/8 royalty?

8 A. That's correct.

9 Q. And that would be the allocated royalty?

10 A. Yes.

11 Q. And if the royalty owner was interested in
12 determining what his participation or carried interest
13 multiplier would be, he would use that same percentage and
14 take it times the well cost?

15 A. Correct.

16 Q. And then times a multiplier, if necessary,
17 to determine the participation or carried interest costs?

18 A. Uh-huh.

19 Q. Correct?

20 A. Yes.

21 Q. Okay. Is it your testimony, or your
22 opinion, that the plan to develop the coalbed methane under
23 each of these units as is disclosed by the application and
24

1 then the plat and the wells that are located in these units,
2 that that plan is a reasonable plan to develop the coalbed
3 methane under these units that will protect both your lessors
4 and the unleased parties so that in effect protects all
5 people with correlative rights?

6 A. Yes, it is.

7 Q. Now, let's turn to the units individually,
8 and before we get to your spreadsheet, I want to talk a
9 little bit about escrow requirements and it appears to me in
10 reviewing AV-111 that escrow for conflicting claims is
11 required, is that true?

12 A. Yes, it is.

13 Q. With regard to AV-112, it appears that
14 escrow is required again because of conflicting claims?

15 A. That's correct.

16 Q. With regard to AV-113, it looks like escrow
17 is required again because of conflicting claims?

18 A. Correct.

19 Q. In 1...AW-112, it appears to me that we have
20 some people that we cannot locate? If you look at the---.

21 A. I believe that's...yes.

22 Q. That you've shown address unknown?

23 A. Yes.

24

--

1 Q. And in 1...AW-112, we also have conflicting
2 claims issues?

3 A. That's correct.

4 Q. So, with regard to escrow requirements in
5 AW-112, there are tracts that have folks that we've been
6 unable to locate and there are tracts that are in conflict?

7 A. That's correct.

8 Q. So, there are two reasons to escrow?

9 A. Uh-huh.

10 Q. Right?

11 A. Correct.

12 Q. Okay. When we get to AW-113, it looks like
13 we have all three reasons. We have got uncertainty with
14 regard to who owns it. So, we've got an unknown issue; we've
15 got unlocateable because we've got some addresses we don't
16 have; and we also have conflicting claims problems?

17 A. Correct.

18 Q. So, in drafting that escrow provision, the
19 Board would have to anticipate all three situations?

20 A. That's correct.

21 Q. Finally, with regard to AX-114, it looks
22 like we have two reasons to escrow: One, because we have
23 some missing addresses and secondly because there are
24

1 conflicting claims, is that correct?

2 A. That's correct.

3 Q. Okay. Let's turn to the spreadsheet summary
4 that you passed out to the Board today and I think it would
5 probably be simplest if you just took it one unit at a
6 time---.

7 A. Okay.

8 Q. ---because we need to get this in the
9 record, and we've already covered notice and publication and
10 some of those things. But you certainly need to talk about
11 what interest you've acquired, what you're seeking to pool,
12 the status of the well and the cost of the well.

13 A. Okay. Okay, beginning with AV-111, we have
14 leased 100% coalbed methane from the coal owner and 97.60% of
15 the oil and gas interest. We're seeking to pool 2.4% of---.

16 Q. No. Of the...okay.

17 A. ---the oil and gas interest, and we have a
18 100% of the coal leased underneath that unit. And that's for
19 well AV-111. The permit was issued...the permit number was
20 4593. It was issued May the 31st of 2000, and it was drilled
21 on October the 5th to a total depth of 2,231 feet and five
22 tenths at a cost of \$209,680.79.

23 Q. And we had to file a revised Exhibit A, page
24

1 two with regard to his unit, correct?

2 A. That's correct.

3 Q. And what's going to change?

4 A. It will indicate that there's 0% of the coal
5 interest unleased. Okay. Okay, AV-112, we have 100% of the
6 coalbed methane leased from the coal owner. We have 70.67%
7 of the oil and gas interest leased. We're seeking to pool
8 29.33% of the oil and gas interest and again we'll have to
9 revise Exhibit A, page two do to the fact that I copied the
10 information over to the adverse coal owners. We have 100% of
11 the coal leased underneath that unit. The well permit number
12 is 4626 issued June the 27th of 2000. It was drilled on
13 October the 2nd of 2000 to a total depth of 2,230.50 feet at
14 a cost of \$210,120.46.

15 Unit AV-113, we have 100% of the coal leased from
16 the coal owner...coalbed meth...coalbed methane owner. We
17 have 67.57% of the oil and gas interest leased. We're
18 seeking to pool 32.43% of the oil and gas interest. That
19 was...that would be for well AV-113. The permit is 4462,
20 which has a modification to that well. It was issued on
21 February the 3rd of 2000, drilled August the 22nd of 2000 to a
22 total depth of 2,440.40 feet at a cost of \$217,575.78.

23 Unit and well AW-112, we have 100% of the coal
24

1 owners, coalbed methane leased. 65% of the oil and gas
2 interest leased. We're seeking to pool 35% of the oil and
3 gas interest and underneath that unit, we lease 100% of the
4 coal. That permit for well AW-112 is 4671. It was issued
5 August the 3rd of 2000. It was drilled September the 25th of
6 2000 to a depth of 2,464.90 feet at a cost of \$221,673.75.

7 AW-113, we have 100% of the coal...coalbed methane
8 interest leased, 80.82% of the oil and gas interest and we're
9 seeking to pool 19.18% of the oil and gas interest. We have
10 100% of the coal leased under this unit. The well permit
11 number for AW-113 is 4558 issued on April the 27th of 2000,
12 drilled August the 28th of 2000 to a total depth of 2,461.70
13 feet at a cost of \$222,034.55.

14 Unit AX-114, we're seeking to pool...I mean, we
15 have leased 95.14% of the coal owners, coalbed methane
16 interest, and we have leased 85.09% of the oil and gas
17 interest. We're seeking to pool 4.86% of the coal interest
18 and 14.91% of the oil and gas interest. Under that unit, we
19 have 95.14% of the coal leased. This is well number AX-114,
20 permit number is 4632. It was issued on July the 10th of
21 2000. It was drilled September the 6th of 2000 to a total
22 depth of 2,501 feet and five tenths with a cost of
23 \$221,463.14.

24

--

1 MARK SWARTZ: Okay. That's all I have.

2 BENNY WAMPLER: Any questions from members of the

3 Board?

4 CLYDE KING: Are we going to consolidate 111 through

5 114?

6 BENNY WAMPLER: Yes.

7 CLYDE KING: Do you want a motion?

8 (No audible response.)

9 CLYDE KING: I so move, Mr. Chairman.

10 BENNY WAMPLER: I have a motion to approve.

11 DENNIS GARBIS: I make a motion to approve it.

12 BENNY WAMPLER: Second?

13 MASON BRENT: I second.

14 BENNY WAMPLER: Second. Any further discussion?

15 (No audible response.)

16 BENNY WAMPLER: All in favor, signify by saying yes.

17 (All members signify yes.)

18 BENNY WAMPLER: Opposed, say no.

19 (No audible response.)

20 BENNY WAMPLER: You have approval. Do you want to

21 take five minutes or do you want to go to the next one?

22 (Board member confer among each other.)

23 BENNY WAMPLER: We'll take a five minute break.

24

1 (Off record.)

2 BENNY WAMPLER: We're ready to reconvene.

3 BOB WILSON: Mr. Chairman?

4 BOB WILSON: Mr. Wilson?

5 BOB WILSON: Before you call these items, to
6 reiterate if I could say it, something Mr. Swartz said
7 earlier, items 14 through 20 on the agenda should in
8 actuality be Buchanan Production Company rather than
9 Pocahontas Gas Partnership. We have dropped that little
10 detail a couple of times now and we'll see to it that it
11 doesn't happen in the future.

12 BENNY WAMPLER: All right. We will combine the
13 (inaudible). Item 17 is unit D-16, docket number VGOB-01-
14 01/16-0864; item 18 is unit E-15, docket number VGOB-01-
15 01/16-0866; item 19 is unit E-16, docket number VGOB-01-
16 01/16-0867; and item 20 is unit E-17, docket number VGOB-01-
17 01/16-0868; and we'd ask the parties that wish to address the
18 Board in this matter to come forward at this time.

19 MARK SWARTZ: Mark Swartz and Les Arrington.

20

21 LESLIE ARRINGTON

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. SWARTZ:

24

--

1 Q. Les, you need to state your name for us
2 again?

3 A. Leslie Arrington.

4 Q. Who do you work for?

5 A. Consol Energy, Inc.

6 Q. These applications that we've consolidated
7 today, docket items 17 through 20, are these all 80 acre
8 Oakwood units?

9 A. Yes, they are.

10 Q. And are all of the pooling applications
11 seeking to pool them both under Oakwood I and Oakwood II?

12 A. Yes.

13 Q. And at that the present time, are they
14 essentially in a mode where they would produce active gob
15 gas?

16 A. That's correct.

17 Q. Okay. Let's go through the general
18 information and then we can get to specific...some specific
19 units. The applicant here in all three...four of these
20 instances is Buchanan Production Company, is that correct?

21 A. That's correct.

22 Q. And Buchanan Production Company is a
23 Virginia General Partnership that has two partners, is that

24

--

1 true?

2 A. That's true.

3 Q. The two partners are Appalachian Operators,
4 Inc. and Appalachian Methane, Inc. and they are the two
5 corporate partners in Buchanan Production Company and the
6 stock in those two partners is owned either directly or
7 indirectly by a company called Consol Energy, Inc., is that
8 right?

9 A. That's correct.

10 Q. Did Consol, Inc., your previous employer,
11 okay---?

12 A. Uh-huh.

13 Q. ---merge into Consol Energy, Inc. effective
14 December the 31st of 2000?

15 A. Yes, it did.

16 Q. So, all the employees of Consol, Inc. are
17 now employees of Consol Energy, right?

18 A. Correct.

19 Q. And we've been substituting bonds and all of
20 that sort of stuff?

21 A. We have.

22 Q. Okay. Is Buchanan Production Company
23 authorized to do business in the Commonwealth?

24

1 A. Yes, it is.

2 Q. Who are you asking be appointed the
3 designated operator?

4 A. Consol Energy, Inc.

5 Q. Okay. And have you...is Consol Energy, Inc.
6 a Delaware Corporation?

7 A. Yes, it is.

8 Q. Okay. Is it authorized to do business in
9 the Commonwealth?

10 A. Yes, it is.

11 Q. Okay. Has it registered with DMME and does
12 it have a blanket bond on file as successor to Consol, Inc.?

13 A. Yes, it has.

14 Q. Okay. And it's in the process of
15 registering or has it already---?

16 A. We have.

17 Q. You've already done that, okay. Now, way
18 back in the dark ages of development here, we're probably
19 talking '91 or '92, Buchanan Production Company delegated the
20 management responsibilities for its properties to Consol,
21 Inc., correct?

22 A. That's correct.

23 Q. And that's still in place?

24

1 A. Yes, it is.

2 Q. And Consol Energy, Inc., of course, has
3 succeeded to Consol, Inc.'s obligations, correct?

4 A. That's right.

5 Q. So, we still have the same circumstances?

6 A. Yes.

7 Q. With regard to these four applications, are
8 the names of the people that you're seeking to pool listed in
9 both the notice of hearing and in Exhibits B-3?

10 A. Yes, they are.

11 Q. Do you wish to add anybody?

12 A. No.

13 Q. Do you wish to subtract anybody today?

14 A. No.

15 Q. Okay. So, the lineups are correct?

16 A. That's correct.

17 Q. Could you tell the Board about publication
18 and mailing?

19 A. Yes, it was mailed by certified mail/return
20 receipt requested on December the 15th of 2000 and published
21 in the Bluefield Daily Telegraph on December the 19th of
22 2000, and that's for all four units.

23 Q. Okay. And have you filed the spreadsheet
24

1 with regard to mailing status and copies of the cards with
2 the Board today?

3 A. Yes, we have.

4 Q. Okay. Have you also filed a copy of the
5 Bluefield Daily Telegraphs's certificate with regard to
6 publication?

7 A. Yes, we have.

8 Q. When you published, did you publish the two
9 page text of the notice together with the maps showing their
10 location in the Commonwealth and then showing their location
11 in the grid overlaid on a county map?

12 A. Yes, we did.

13 Q. And that would be true for all four units?

14 A. Yes.

15 Q. And each one of these units is an 80 acre
16 unit and you're seeking to develop the coal seams from the
17 Tiller on down, correct?

18 A. That's correct.

19 Q. There are multiple wells in some of the
20 units?

21 A. That's correct.

22 Q. And there are zero wells in some of the
23 other units?

24

--

1 A. That's correct.

2 Q. With regard to the allocation of costs,
3 which we're going to get to in a minute, what is the maximum
4 number of wells regardless of how many occur that you have
5 allocated costs for in any given unit?

6 A. Six.

7 Q. Is that per panel or per unit?

8 A. Per unit.

9 Q. Okay. If we take, for example...let's see
10 if we can find the one that has five in it. If we look at E-
11 16---.

12 A. Yes.

13 Q. ---that has five wells in it, correct?

14 A. E-16? Well, actually E-16, it is showing
15 numerous wells, but there will only be two wells allocated to
16 it.

17 Q. Okay. Let's start with the first one. The
18 first question is, are there in fact five wells located in
19 three different longwall panels under Exhibit E-16?

20 A. There is.

21 Q. Under unit E-16?

22 A. There is.

23 Q. Okay. For purposes of allocating well costs
24

1 to E-16, or any other units that are over those three
2 longwall panels, how many wells have you included in the cost
3 calculation?

4 A. For unit E-16, for instance, there's only
5 two wells allocated to its costs.

6 Q. Okay. So even though you could multiple the
7 well costs times five, you're basically...you have limited it
8 to two?

9 A. I have. At the present time, we're not
10 planning on those additional wells.

11 Q. Being included in the costs?

12 A. That's right.

13 Q. Okay. And is that historically what
14 Buchanan Production Company has done, is regardless of the
15 number of wells never....in conjunction of the mine plan, has
16 never allocated the cost of more than two to any unit or any
17 collection of units?

18 A. Prob...I believe that's correct.

19 Q. Okay. But certainly that has been your
20 practice---?

21 A. Yes.

22 Q. ---since Consol, Inc. has owned Buchanan
23 Production?

24

--

1 A. We may have allocated more at times---.

2 Q. Okay.

3 A. ---to a longwall panel.

4 Q. To a panel. I'm talking to a unit in an

5 active gob.

6 A. Mark, there could be at times, if we have

7 three longwall panels such as shown here, there could be more

8 wells...there could be more wells.

9 Q. Okay, you're...okay, I think we're at cross

10 purposes and---.

11 A. Okay.

12 Q. ---you straighten me out, if I'm wrong. I'm

13 not talking about if you have three units in a longwall panel

14 which would allow you to allocate six wells.

15 A. Okay.

16 Q. I'm talking about if you've got one unit

17 overall in a longwall panel and you're allocating costs to

18 that unit, the maximum you're talking about is two wells,

19 correct, in all of these application today?

20 A. That's right.

21 Q. Okay. And historically, has that been your

22 practice generally?

23 A. Generally.

24

1 Q. Okay. And if the Board looks at the
2 allocation of costs, and we'll be talking about that later,
3 but particularly Exhibit G, page one, they'll see that even
4 though there are panels where there are numerous wells, the
5 costs do not reflect...the costs that we're seeking to
6 allocate do not reflect the total costs?

7 A. That's right.

8 Q. Okay. All right. Obviously, from looking
9 at the percentages that you have acquired, and the
10 percentages that you're trying to pool, you have been able to
11 lease significant portions of these four units, correct?

12 A. We have.

13 Q. What terms have you offered to the folks
14 that you have been able to lease from?

15 A. Our standard coalbed methane lease is a \$1
16 per acre per year, with a five year term, with a 1/8 royalty.

17 Q. And would that be the terms that you would
18 recommend to the Board that they incorporate in any order
19 that they might make with regard to folks that could be
20 deemed to be leased?

21 A. That's correct.

22 Q. With regard to revisions to exhibits and/or
23 the need for revisions, I notice in the notes in the
24

1 spreadsheet that you've passed out to the Board, you've
2 indicated that there's a revised Exhibit C that you've
3 tendered today to them.

4 A. That's correct.

5 Q. With regard to unit E-17, and you had used
6 the wrong cost per foot in the contract drilling section and
7 had under estimated the costs, correct?

8 A. Actually, I think it was a bit more. It was
9 a hundred...the DWE that's in the application that they have
10 in their possession was \$133,000 and I believe the new
11 exhibits has \$126,000.

12 Q. Okay. So, it actually had overstated the
13 number?

14 A. Yes.

15 Q. Okay. In addition, in preparing for the
16 hearings today, did we determine that there are some further
17 revisions that need to be made?

18 A. That's correct.

19 Q. Okay. And what is it that we need to do?

20 A. Yes. Normal exhibits that we submit to you
21 all, on our Exhibit B-3 and Es, if there should be one, we
22 have listed in there the active panels and their respective
23 percentages being allocated, we failed to get that

24

--

1 information on these exhibits. So, we will revise those and
2 get them to you.

3 Q. Okay. Let's...let's just go with Exhibit,
4 or with pooling application D-16, and kind of identify
5 specifically for the Board what you're talking about. If you
6 turn to Exhibit B-3, for example---.

7 A. That's correct.

8 Q. ---there is a column acres in unit, correct?

9 A. Yes.

10 Q. And then there's a percent of a unit?

11 A. Correct.

12 Q. And the percent indicates the amount of
13 acreage that the respondent has in the 80 acre unit, correct?

14 A. That's correct.

15 Q. But to pay on...pay production royalties on
16 panel production, there needs to be a further breakout of
17 percent in the various panels?

18 A. That's correct.

19 Q. And those percentages are actually stated in
20 another portion of the applications, but they just didn't
21 make it on to Exhibit B-3.

22 A. Uh-huh. That's right.

23 Q. And the percentages that you would use to
24

1 calculate that are reported at G, page one?

2 A. They are.

3 Q. So, you're going to derive those percentages

4 and submit revised Exhibits B-3, and if necessary, the

5 conflicting claims exhibit---?

6 A. That's right.

7 Q. ---to the Board?

8 A. Correct.

9 Q. Okay. And that would be true of all four of

10 the Buchanan Production Company units we're talking---?

11 A. Yes.

12 Q. ---about today?

13 A. Yes.

14 Q. Okay. All right. With regard to the wells,

15 are the wells and their locations shown on the Exhibit G that

16 accompanies each one of the applications?

17 A. Yes, they are.

18 Q. Okay. And because these are wells in

19 conjunction with mining, well location exceptions are not an

20 issue, correct?

21 A. That's correct.

22 Q. I would ask you if it is your opinion that

23 the development of coalbed methane under these four units

24

1 initially by frac wells and ultimately by active gob
2 production that that development was a reasonable plan to
3 develop the resource and that the methodology to pay
4 royalties and account for royalties is designed to protect
5 the correlative rights of both your lessor and the folks that
6 you have not been able to lease from? Is that your opinion?

7 A. Yes, it is.

8 Q. Let's go through the spreadsheet today with
9 regard to these Buchanan Production units, and bearing in
10 mind that we've already talked about publication and mailing
11 and so forth, could you outline for the Board the interest
12 you've acquired, what you're seeking to pool, and the status
13 of the wells?

14 A. Okay. For unit D-16, we have leased
15 74.9078% of both the coal, oil and gas, coalbed methane
16 interest. We're seeking to pool 25.0922% of the coal, oil
17 and gas, coalbed methane interest and we have a 100% of the
18 coal leased under that unit. Within that D-16, there was a
19 cost allocated per longwall panel that ended up being for
20 that unit a cost to participate would be \$286,293.07.

21 Unit E-15, we have leased 90.9815% of the coal, oil
22 and gas, coalbed methane interest, and seeking to pool
23 9.0185% of the coal, oil and gas coalbed methane interest and
24

1 we have a 100% of the coal leased below that unit. And
2 within that unit, it would cost \$31,425.49 to...which is
3 allocated to that unit for participation.

4 E-16, we have 82.98% of the coal, oil and gas,
5 coalbed methane interest leased. We're seeking to pool
6 17.02% of the coal, oil and gas, coalbed methane interest. I
7 have 100% of the coal interest leased below that unit. And
8 it's \$99,166.48 allocated to that unit.

9 E-17, we have 75.5758% of the coal, oil and gas,
10 coalbed methane interest leased. We're seeking to pool
11 24.4242% of the coal, oil and gas, coalbed methane interest
12 and we have 100% of the coal leased below that unit with a
13 total cost of \$69,682.61 allocated to that unit.

14 Q. Just to illustrate for the Board the
15 difference in costs allocated to units. If we just...and I
16 think we can just compare the first two. If you look at
17 Exhibit G to unit D-16 or the application on D-16, it shows
18 that D-16 lies smack over the top of two longwall panels.

19 A. Correct.

20 Q. And basically every acre of that unit was in
21 longwall panels or entries and, in fact, there's even a
22 portion of the unit in a third longwall panel, correct?

23 A. That's correct.

24

--

1 Q. And if you compare this then, and this the
2 one to which you've allocated \$286,000, correct?
3 A. That's correct.
4 Q. If you compare that to E-15, for example,
5 okay?
6 A. Uh-huh.
7 Q. E-15, although it is in portions four
8 longwall panels, there's really just the tail end of those,
9 correct?
10 A. Right. Correct.
11 Q. And the difference in cost is explained, is
12 it not, by the amount of acreage in a longwall panel
13 collectively in a given unit?
14 A. That's correct.
15 Q. Because production is allocated to the unit
16 based on acreage of the panel, longwall panel, in the unit,
17 correct?
18 A. That's right.
19 Q. And costs are allocated to the unit on the
20 same basis so that costs would track production?
21 A. Correct.
22 Q. The numbers that are reported on the
23 Exhibits G, and hopefully it would be the same exhibit, the
24

1 same mine map, right?

2 A. Uh-huh.

3 Q. The numbers...the little numbers there are
4 reported are not percentages, they're acreages, aren't they?

5 A. That's on the Exhibit G, that's correct.

6 Q. Correct. So, to do the math, basically you
7 would add up the acreage in a panel. Panel five, for
8 example, would be pretty easy to add 4.96, 17.13 and 12.63
9 acres and if you wanted to know how much was in a given unit,
10 you would take the acreage in that unit over the total and
11 that's the calculation that you got?

12 A. That's correct.

13 Q. And you're essentially allocating, are you
14 not, the revenue strain from the panels to the units on the
15 same basis that you're allocating the costs?

16 A. Correct.

17 MARK SWARTZ: And we need to also point out to the
18 Board that...and I'll just give you an example again because
19 we're going to have to file a corrective exhibit here, I
20 guess, if you stay with D-16, if you look at Exhibit G it
21 starts with longwall ten at the north and goes to four at the
22 south and it shows that unit D-16 has panels nine, eight and
23 a little bit of seven in it and if you go to G, page one, the
24

1 numbering of the panels is wrong. The math is right.
2 Everything is right. It's just that we start with nine east,
3 or we start with eight east, instead of nine. So, we need to
4 go in there and just renumber. I mean, we checked the math
5 and it all works. But---

6 SANDRA RIGGS: You're on Exhibit G, page one?

7 MARK SWARTZ: Right. And that unfortunately has a
8 problem that showed up in the other ones as well. We should
9 have started numbering just to stay with G, page one, on D-
10 16. We should have started with nine east as a panel and we
11 should have gone to eight and then to seven and you'll see
12 that we started with eight, seven, six and we need to correct
13 that. So, exhibit...the text exhibit does not track the map
14 exhibits and the map is right. So, we're going to straighten
15 that out. And that needs to be corrected on D-16, it looks
16 like E as well...E-15, 16...E-16 and probably E-17. So, it's
17 true of all four.

18 LESLIE ARRINGTON: It is. It is.

19 MARK SWARTZ: Yeah. That's all I have.

20 BENNY WAMPLER: You did say the math is correct,
21 though, on all of those?

22 MARK SWARTZ: Yes, we checked that. Yes.

23 (Board members confer among themselves.)

24

--

1 MARK SWARTZ: Now, the other thing that you need to
2 be sensitive to, and this is not a mistake, when you look at
3 some of these units that have more wells in them, the costs
4 that are allocated because we're eliminating it to, to the
5 unit, we're not including costs from some of the other
6 units...some of the other panels because it would then
7 violate that rule of only two per unit. So, if you look at
8 the maps, I think...let's see, this would be an example here.
9 A good example is E-16. That's the one with the five wells
10 in three different panels. But if you look at E-16, Les has
11 just utilized the six east panel for allocation purposes. Do
12 you follow me?

13 BENNY WAMPLER: Do you want to run through why he
14 did that?

15 LESLIE ARRINGTON: The other ones are plugged.

16 BENNY WAMPLER: Okay. That's---.

17 DENNIS GARBIS: Say...say again.

18 LESLIE ARRINGTON: The other ones are plugged.

19 CLYDE KING: Plugged?

20 LESLIE ARRINGTON: Yes. I think...I may have one
21 well there that I can go to, but we haven't worked out a
22 surface deal yet on that property. At this time, that's as
23 far as we're planning on going.

24

--

1 BENNY WAMPLER: Any questions from members of the
2 Board? Mr. Garbis?

3 DENNIS GARBIS: Yeah, just as a matter of
4 information. One would think that you would take the center
5 of mass basically on these longwall panels that you would try
6 to, I guess, center those wells.

7 LESLIE ARRINGTON: Okay.

8 DENNIS GARBIS: Why is it that that, and I'm just
9 comparing these over here, that you have, for example, E-16,
10 but you have...could you not in the case of E-16 maybe shift
11 it over a little bit to get something on E-15 and I can see
12 where it's kind of on the outer edge there? But certainly
13 like in E-17, you could have taken that E-16A and moved it
14 over. I mean, was there any...was there any other
15 consideration?

16 LESLIE ARRINGTON: Yes. All of these holes that you
17 see on that map are existing vertical ventilation holes for
18 the mine that we've taken over and converted them over to
19 coalbed methane wells.

20 DENNIS GARBIS: I see.

21 LESLIE ARRINGTON: And these wells were all
22 drilled...wells or ventilation holes were all drilled way
23 prior to the coalbed methane. They were only drilled for
24

1 ventilation interest.

2 DENNIS GARBIS: Okay.

3 LESLIE ARRINGTON: And these also, if you'll notice,
4 are much narrow panels and it didn't take as many wells.

5 DENNIS GARBIS: So, is that an efficient spacing the
6 way you have that?

7 MARK SWARTZ: Not any more.

8 LESLIE ARRINGTON: No. Correct, it is not what we
9 use nowadays. Two things - one, those panels we don't use
10 that with panels at all any more. I believe those are
11 something like 650 foot panels. We use 1,000 foot panels
12 now. So, no, it's not.

13 MARK SWARTZ: Well, and also we'll have ten to
14 twelve holes per panel,

15 LESLIE ARRINGTON: Yes.

16 DENNIS GARBIS: Well, that's what I thought.

17 LESLIE ARRINGTON: Well, we do. We do.

18 MARK SWARTZ: Well, I mean, it looks a lot busier.

19 LESLIE ARRINGTON: This is real old mining.

20 DENNIS GARBIS: Uh-huh.

21 MARK SWARTZ: No. The ten to twelve per panel is
22 driven by two things. One, the width of the panel is
23 greater, the length of panels are longer as well. But in
24

1 addition to that, the thinking has changed and we want the
2 wells to be more densely spaced for the degas. But the
3 current stuff, you're right. I mean, when you look at
4 current well spacing, it's very different and much busier
5 than what you're looking for.

6 CLYDE KING: How long have these been there? Do you
7 have any idea?

8 LESLIE ARRINGTON: I sure can. If you'll notice on
9 my sheet, if you'll look at date drilled---.

10 CLYDE KING: The '70s.

11 LESLIE ARRINGTON: ---you'll see '81, '79, you
12 know, in that vicinity. So, they have been there quite some
13 time.

14 DENNIS GARBIS: So, what are these costs over here
15 if the wells have already been drilled? What are the costs?

16 LESLIE ARRINGTON: Well, okay, those costs are what
17 it would cost us to possibly redrill something there.
18 That's...that's the depth of that hole. The casing if we had
19 to set over, or beside of it and redrill it. That's what
20 those costs would be.

21 MASON BRENT: I'm still way confused on the cost
22 allocation. A little while ago you indicated that you
23 generally allocate the costs of two wells---.

24

--

1 LESLIE ARRINGTON: I think what Mark's referring to
2 there is two wells when we come in for active...just active
3 production or maybe gob production...I mean, sealed gob
4 production. We'll only allocated the costs of two wells out
5 there.

6 MARK SWARTZ: Per unit.

7 LESLIE ARRINGTON: Per unit per pound.

8 MARK SWARTZ: Right.

9 MASON BRENT: There may be more wells there?

10 LESLIE ARRINGTON: Right. There could be more.

11 MASON BRENT: But you're only going to allocate the
12 costs of two wells. And is that out of your deep well of
13 generosity or---.

14 LESLIE ARRINGTON: Well---.

15 MARK SWARTZ: It occurred before you were on the
16 Board and we had a debate with the prior Board about...I'm
17 not sure we had a big debate, but we certainly had some
18 discussions about would it be appropriate to take ten or
19 twelve times...because now we're drilling frac wells. If
20 you'll notice, these are on 120, 130s are not frac wells.
21 So, they're less expensive. But, you know, would it be
22 appropriate to take ten or twelve wells times 200,000 and
23 change and load all of that on to the panel or the units that
24

1 intersect the panel. The Board had a lot of heartburn with
2 that, or at least we saw that coming, I think, and we
3 proposed that we not allocate more than two wells to a given
4 unit per panel for high density wells. So, the situation
5 here, we've got five wells in the unit, the most that you're
6 going to see land on the costs from us is two. And that
7 seemed to be a compromise that the prior Board was
8 comfortable with. So, we just sort of continued that. I
9 won't say that we...I'm not sure...I don't think that any of
10 you all were---.

11 MASON BRENT: So, if you...if you saw this Board
12 here as being easy, then you could come back now and allocate
13 the cost of five wells or propose to allocate the cost of
14 five wells or whatever? I mean, there's no...there's no
15 regulation or legislation---?

16 MARK SWARTZ: There's no...there's no order that is
17 binding on anybody. But we have...we are not...I have not
18 concluded that Benny and Sandy's memory banks have been
19 erased and there is a---.

20 SANDRA RIGGS: And we couldn't find the transcript.

21 MARK SWARTZ: And I think there is a historical
22 awareness on some of the people in this room with regard to
23 those kinds of issues. But you're absolutely right. I mean,

24

--

1 we're not bound by some Board order that says you must do
2 this, or you can't do that, or it's a judgment call we made
3 way back when that everybody got comfortable with.

4 MASON BRENT: That's interesting. Okay, then the
5 other thing that is causing my confusion. You then went on
6 to explain an allocation of costs based on acreage. I'm
7 trying to reconcile---.

8

9 MARK SWARTZ: Right. The Oakwood II Field Rules,
10 when they were implemented, there's a...I don't think we have
11 any orders handy, but there's a...there's a section in the
12 Board orders that you typically would enter that says if this
13 is a frac unit, this is how you allocate. If it's a frac
14 unit that becomes an active gob unit, this is how you
15 allocate it and it's expressed in your field rules and it
16 gets now lifted into your orders. And essentially what it
17 says, the field rules establishes the allocation. It just
18 gets repeated in the order. Then the field rules say that
19 for a frac...once a frac unit has a longwall panel under it
20 that is isolated from the coal generally by the entries, at
21 that point, that panel shifts from a unit allocation of the
22 production from a well into that panel. Prior to isolation
23 of a longwall panel, 100% of the gas from a well in a unit

24

--

1 that happened to penetrate a non-isolated longwall panel
2 would be allocated entirely to the unit in which the well was
3 located. Once you isolate the...I'm explaining rather than
4 quoting. But once you isolate a longwall panel that may run
5 under through your four units, at that point the wells
6 penetrating the coal in the panel, the total production of
7 the number of wells is aggregate. You then calculate the
8 acreage in the panel overall. You then calculate the acreage
9 in any given unit and create a percentage of acres of a panel
10 in a unit. You then take the aggregate production, take the
11 percentage that you calculated, apply that to the production
12 and then that production lands in that unit regardless of
13 where the well may be located from which the production or
14 well is from...in which the production occurs. So, what we
15 have done since that's how we allocate production, we have
16 attempted in these active gob units...we haven't attempted,
17 we have allocated costs exactly the same. So, we've tried to
18 track...this is going to be.....the check you write to this
19 is going to be the check how we calculate the check you
20 receive with a caveat that we're not including all of our
21 costs because we feel as if we might get an argument.

22 MASON BRENT: Okay. Thank you.

23 BENNY WAMPLER: Mr. Garbis?

24

--

1 DENNIS GARBIS: In looking at this arrangement, I
2 haven't...I'm trying to see if there's anybody would be more
3 fairly compensated based on this arrangement than people in
4 other units. For example, if you take E-15, their...your
5 costs are \$31,425, so how...what sort of production are you
6 going to lay to it? I mean, how are...how are the people
7 going to be...would there be any production for them?
8 Obviously not, since you don't have a well.
9 MARK SWARTZ: Well, let me give you an example---.
10 DENNIS GARBIS: So, am I missing something here
11 or---.
12 MARK SWARTZ: Let me just...let me just give you
13 an---.
14 SANDRA RIGGS: They'll get their proportionate share
15 from the longwall panel.
16 MARK SWARTZ: Well, turn the page. Turn the page to
17 the...okay. And look at E-15's percentage in panel six,
18 okay, which is 12%. Okay? 12 ½%, do you see that?
19 DENNIS GARBIS: I'm looking at E-15.
20 MARK SWARTZ: Because I'm going to try to compare
21 E-15 and E-16 for you.
22 DENNIS GARBIS: Yes. Okay.
23 MARK SWARTZ: So, look at E-15s percentage in
24

1 longwall panel six.

2 DENNIS GARBIS: I've got it.

3 MARK SWARTZ: Okay. Then look at E-16s percentage
4 in six.

5 DENNIS GARBIS: All right.

6 MARK SWARTZ: They've got roughly three plus times
7 the interest. So, that's why the cost is so different.
8 They've got \$31,000 allocated to E-15 for longwall panel six
9 and three times that allocated to E-16 because E-16 is going
10 to get, you know, three times...I'm just focusing on that one
11 panel.

12 DENNIS GARBIS: Okay.

13 MARK SWARTZ: But that's the way the production
14 tracks the cost allegation.

15 DENNIS GARBIS: Now, when it comes for pay up time,
16 how...who's going to get...are you going to go basically the
17 same---?

18 MARK SWARTZ: Remember, you're getting...we...these
19 capital costs are not implemented or included in a royalty
20 calculation at all.

21 DENNIS GARBIS: I understand that. I understand
22 that.

23 MARK SWARTZ: So, the stream of income is...this is
24

1 irrelevant.

2 DENNIS GARBIS: I understand that.

3 MARK SWARTZ: Okay. I'm sorry, then.

4 DENNIS GARBIS: So---.

5 BENNY WAMPLER: Unless you participate.

6 MARK SWARTZ: Right. But I felt like we weren't

7 headed there.

8 DENNIS GARBIS: No, I got that part. But...okay, so

9 now would you use the same percentages as far as production

10 from that---?

11 MARK SWARTZ: Right.

12 DENNIS GARBIS: ---from that panel? In other

13 words, I guess, we're looking at six. So, the two wells

14 there CBM east 16A-53 and the other ones is not. Do

15 those...do those two---?

16 MARK SWARTZ: No. Yeah. Let's just assume there

17 were two...okay. Okay.

18 DENNIS GARBIS: In 16, aren't there two wells in

19 panel six.

20 MARK SWARTZ: Yeah, in panel six there's just two

21 wells. You're right. Okay.

22 DENNIS GARBIS: So, basically the production from

23 those two wells you'll add...whatever that number is you add

24

1 them up and then---.

2 MARK SWARTZ: Right.

3 DENNIS GARBIS: ---you'll proportionally divide it
4 again between---.

5 MARK SWARTZ: You just multiply it.

6 DENNIS GARBIS: I'm sorry.

7 MARK SWARTZ: You multiply it, right.

8 DENNIS GARBIS: Yeah. I mean, so you'll...well
9 between panels E-15, E-16 and E-17 because you've got a
10 little bit of---?

11 MARK SWARTZ: Well---.

12 DENNIS GARBIS: ---when you've got 5.08 acres?

13 MARK SWARTZ: No, it's different for every panel.
14 Okay, what...there would be a...you're on the right tract,
15 but you've got to do it three times. Let's start with---.

16 DENNIS GARBIS: Yeah...okay, yeah, I understand
17 that.

18 MARK SWARTZ: Okay.

19 DENNIS GARBIS: I just used panel six, you know,
20 to---.

21 MARK SWARTZ: But we've got to do the same
22 calculation for seven, the same for six, and the same for
23 five.

24

--

1 DENNIS GARBIS: Right. Right. I understand that.
2 MARK SWARTZ: Okay.
3 DENNIS GARBIS: So, that's basically that's how they
4 would...the people in unit E-15, that's how they would get
5 their money proportionally from that only in a panel area,
6 not the whole grid.
7 SANDRA RIGGS: Right.
8 DENNIS GARBIS: Okay.
9 MARK SWARTZ: But everybody who has an interest in
10 E-15, even though their tract may not be over the longwall
11 panel, shares in the revenue.
12 DENNIS GARBIS: Right.
13 MARK SWARTZ: Just--.
14 DENNIS GARBIS: That's right.
15 MARK SWARTZ: Okay.
16 DENNIS GARBIS: I just want to...I'm trying to
17 figure out if there's somebody that's getting---.
18 MARK SWARTZ: Posed.
19 DENNIS GARBIS: I didn't want to...that's your
20 choice of words.
21 MARK SWARTZ: It's a legal term.
22 DENNIS GARBIS: Is that a legal term, posed?
23 MARK SWARTZ: Yeah. Yeah.

24

--

1 DENNIS GARBIS: Good word.

2 MARK SWARTZ: Well, what we did and I bet there
3 are---.

4 DENNIS GARBIS: Or is...ultimately is there a fair
5 way? I don't know. Maybe somebody can...I don't know if
6 there's a fair way to do it. I don't know. I'm just trying
7 to attempt to be---.

8 SANDRA RIGGS: Well, under correlative rights, I
9 think, the definition of correlative rights is that everybody
10 gets their fair share. Everybody within the unit gets their
11 fair share of production.

12 DENNIS GARBIS: Right.

13 MARK SWARTZ: Well, where this came from and there
14 may be other ways to do this, okay, I can tell you where the
15 concept came from. If we just had a frac unit to go up...you
16 know, go to...I guess we don't have an example of one here
17 that doesn't have something in it. But a frac unit where we
18 had one well and no mining under it. The way those people
19 would share that is you would take the tracts and you'd say
20 all right, you've got 3 acres out of the 80. You've got 20
21 acres out of the 80 and you do the math.

22 DENNIS GARBIS: Right.

23 MARK SWARTZ: And you only had one well and you just
24

1 split the 80 acres on their percentage of surface interest in
2 the 80 acres and that's how the income stream was pro-rated.

3 DENNIS GARBIS: Right.

4 MARK SWARTZ: And we just literally took that
5 concept and applied it to these panels.

6 DENNIS GARBIS: Okay.

7 MARK SWARTZ: I mean, that's...that's the genesis in
8 front of this Board as to how this got from point A to point
9 B and I'm not suggesting that in any of this that there's
10 just the one answer. I mean, I'm sure we could have done
11 something different---.

12 DENNIS GARBIS: So, as an example in E-17, even
13 though there's one well in panel seven, the individuals with
14 the individual ownership in panel...I mean, in E-17 would
15 benefit obviously if panel six and five---.

16 MARK SWARTZ: And four.

17 DENNIS GARBIS: Yes, and four also.

18 MARK SWARTZ: Right. You bet.

19 DENNIS GARBIS: They would get---.

20 MARK SWARTZ: That's why I said earlier that...and
21 it's not as obvious here, but in a lot of...a lot of times
22 you'll have some odd intersections of surface units with the
23 underground mining and it's really common for people to

24

--

1 receive production when there's no well in their unit at all.
2 I mean, at all, you know, and you can sort of see some of
3 that going on here. But these panels kind of hit a little
4 differently. But there are many, many instances where people
5 are getting paid money that there's no well on their surface
6 within their unit at all.

7 DENNIS GARBIS: So, I guess...I guess that's fair.
8 I couldn't...I couldn't improve on it. So---

9 BENNY WAMPLER: Well, we have dirty in this as well.
10 We've had a lot of discussion early on about ways of making
11 sure that everyone---

12 DENNIS GARBIS: Yeah.

13 MR. STREET: ---you know, would come up with the
14 square units versus circles, everyone gets paid if they're
15 anywhere in there and, you know, you can go back and forth on
16 should you allow these well costs, if they didn't incur those
17 well costs today and these kinds of things. There's a lot of
18 things like that within that you can debate. But when you
19 take the snap shot down...looking down on that anything
20 occurs, I don't think anyone is getting left out.

21 DENNIS GARBIS: Yeah, and I think as long as it's
22 consistent, then it's fair. That's the important thing.

23 BENNY WAMPLER: And the people that should decide to
24

1 participate or be carried to come in here and debate the
2 costs and we haven't had...with the Board, I'm saying. The
3 other folks aren't be harmed by the cost anyway.

4 DENNIS GARBIS: Right. Yeah. Yeah, we went through
5 that.

6 BENNY WAMPLER: I'm not trying to argue the
7 position. I'm just saying that's the rationale we went
8 through in buying into the whole thing here is get the
9 development and the distribution---.

10 CLYDE KING: So, basically all the property above
11 the well, the acreage?

12 BENNY WAMPLER: Above the unit...within the unit.

13 MARK SWARTZ: Just from this side of the table, just
14 to kind of close up, there is no answer to any of this stuff.
15 It's all, you know, what seems like a policy that makes
16 sense in their...you know, what's going underground when you
17 start fracing wells, they don't frac in squares or
18 rectangles, you know. I mean, this is all a---.

19 DENNIS GARBIS: It's not a perfect world.

20 MARK SWARTZ: You bet. And this is a construct to
21 accomplish some legislative policies that the law sort of
22 said these are the things you need to consider and so in
23 reality, underground, it wasn't on the list, you know. So,

24

--

1 I...and we really spent a fair amount of time in the
2 beginning sort of learning that although you needed to attend
3 to what's going on underground, the legislature was more
4 concerned about who was getting paid on the surface.

5 DENNIS GARBIS: You made up the rules as you went
6 along and did a good job.

7 SANDRA RIGGS: Well, the process of allocation has
8 been adopted through field rules and this is the Oakwood II
9 Field rule that talks about this method of allocation. And
10 while it doesn't address how many wells...the cost of what
11 wells will be allocated on the costs side, it does address
12 the production side, how you'll allocate the production.

13 MARK SWARTZ: Right.

14 SANDRA RIGGS: And what he's saying today is they
15 adopted the same formula for allocating costs as the field
16 rules require that they adopt in allocating production to be
17 consistent.

18 BENNY WAMPLER: Any other questions? Good question.

19 MARK SWARTZ: He just...you know, when he comes, he
20 makes everybody work, you know. He just---.

21 DENNIS GARBIS: I'm a pushover. I'm so easy.

22 (Everyone laughs.)

23 DENNIS GARBIS: In my younger days, I was really
24
--

1 feisty.

2 BENNY WAMPLER: Do you have anything further?

3 MARK SWARTZ: I'm all set.

4 BENNY WAMPLER: Is there a motion to approve these?

5 CLYDE KING: So move.

6 BENNY WAMPLER: Is there a second?

7 MASON BRENT: I second.

8 BENNY WAMPLER: Motion and second. Any further

9 discussion?

10 (No audible response.)

11 BENNY WAMPLER: All in favor, signify by saying yes.

12 (All members signify yes.)

13 BENNY WAMPLER: Opposed, say no.

14 (No audible response.)

15 BENNY WAMPLER: You have approval.

16 MARK SWARTZ: Thank you all.

17 BENNY WAMPLER: That concludes today's business,

18 Bob, unless you have anything further?

19 (Bob Wilson indicates negatively.)

20 BENNY WAMPLER: Thank you all. Thank you very much.

21 Have a safe trip home.

22

23

24

~

1 STATE OF VIRGINIA,

2 COUNTY OF BUCHANAN, to-wit:

3 I, Sonya Michelle Brown, Court Reporter and Notary
4 Public for the State of Virginia, do hereby certify that the
5 foregoing hearing was recorded by me on a tape recording
6 machine and later transcribed by me personally.

7 Given under my hand and seal on this the 6th day of
8 February, 2001.

9

10 NOTARY PUBLIC

11

12 My commission expires: August 31, 2001.

13

14

15

16

17

18

19

20

21

22

23

24

25